

EXTENSIONS OF REMARKS

INTRODUCTION OF THE PREDATORY LENDING CONSUMER PROTECTION ACT OF 2000, H.R. 4250

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 12, 2000

Mr. LaFALCE. Mr. Speaker, I am pleased to be joined this morning by my friend and Senate colleague, Senator PAUL SARBANES of Maryland, in introducing legislation to address the problem of abusive practices in high-cost mortgage refinancings, home equity loans and home repair loans.

I would also like to take this opportunity to introduce a number of the representatives of national consumer, senior citizen, community and civil rights organizations that are with us today. Many have worked with us since we completed work on Financial Modernization last Fall to develop this legislation.

The problem of so-called "predatory" lending has reached near epidemic proportions in recent years, robbing millions of American households of the equity in their homes and undermining the economic vitality of our neighborhoods.

Our legislation, the "Predatory Lending Consumer Protection Act," responds to widespread evidence that so-called "subprime"—or high cost—lenders are systematically targeting homeowners with low incomes or damaged credit histories (subprime borrowers). These offers seek to trap borrowers in unaffordable debt, strip the equity from their home and, too often, put the home in foreclosure. "Predatory" loans tend to have a number of abusive practices in common: interest rates far above conventional loan rates; excessive fees and points, often hidden in the mortgage financing; up-front payment of credit insurance; balloon payments; frequent refinancings; huge prepayment penalties; arbitrary call provisions, and other practices.

Predatory lending is somewhat akin to Justice Brennan's definition of "pornography": it might be difficult to define, but you certainly know it when you see it. In my own district, for example, there is Florence McKnight, a 84-year-old Rochester widow who, while heavily sedated in a hospital bed, signed a \$50,000 loan secured by her home for only \$10,000 in new widows and other home repairs. Under the loan she would have to pay over \$72,000 over 15 years, and still face a balloon payment of \$40,000. Mrs. McKnight's home is now in foreclosure.

There are many more examples. These include, for example—

The West Virginia widow who had her mortgage refinanced seven times within 15 months, only to lose it in foreclosure.

The disabled Portland, Oregon woman who was charged more than 30 percent of the amount of her mortgage financing in fees and credit life insurance.

The 68-year-old Chicago woman whose mortgage was refinanced three times in 5 years and ended up with monthly payments that exceed her income.

These are not isolated examples. The problem of predatory lending has been the focus of recent statements by all the federal financial regulators. Comptroller of the Currency, Gerry Hawke; Director of the Office of Thrift Supervision, Ellen Seidman and the Chair of the Federal Deposit Insurance Corporation, Donna Tanoue, have all denounced these practices.

Two weeks ago, Federal Reserve Board Alan Greenspan announce a task force to address predatory lending. Last week, HUD Secretary Cuomo organized working groups to come up with recommendations. Yesterday, Fannie Mae announced its own guidelines to exclude purchases of predatory loans, with Fannie's Chairman and CEO, Frank Rains, issuing a statement today supporting the need for legislation. Also today, Treasury Secretary Summers has issued a statement indicating his concerns about this problem and supporting our efforts.

What exactly does our legislation do? Very briefly, the bill expands and fills the gaps in the 1994 Home Ownership and Equity Protection Act (HOEPA) that Congress enacted in response to the initial wave of abusive home equity loans ten years ago. HOEPA established an important framework for combating predatory practices, but it did not go far enough. The legislation strengthens and expands HOEPA protections in a number of ways:

It lowers HOEPA's interest rate and total fee "triggers" to extend needed protections to greater numbers of high cost mortgage refinancings, home equity loans and home improvement loans.

It expands HOEPA to restrict practices that facilitate mortgage "flipping" and equity "stripping"—restricting the financing of fees and points, prepayment penalties, single-premium credit insurance, balloon payments and call provisions.

It prevents lenders from making loans without regard to the borrower's ability to repay the debt, encourages credit and debt counseling and requires new consumer warnings on the risks of high-cost secured borrowing.

It encourages stronger enforcement of consumer protections by strengthening civil remedies and rescission rights and increasing statutory penalties for violations.

The bill deals directly, and I believe effectively, with the primary abuses that encourage and facilitate such predatory practices as loan "flipping" and equity "stripping." By restricting the tools that make these practices profitable, and by enhancing private remedies and civil penalties to deter violations, we can prevent the American dream of home ownership from becoming a nightmare at the hands of predatory lenders.

CONGRATULATIONS TO THE LAKE OF THE OZARKS SERVICE CORPS OF RETIRED EXECUTIVES (SCORE) CHAPTER FOR HAVING BEEN NAMED THE NATIONAL SCORE CHAPTER OF THE YEAR, 2000

HON. IKE SKELTON

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 12, 2000

Mr. SKELTON. Mr. Speaker, I was recently informed by the Administrator of the Small Business Administration that the Lake of the Ozarks SCORE Chapter has been selected the National SCORE Chapter of the Year.

As you know, SCORE is a nonprofit association dedicated to entrepreneur education and the formation, growth, and success of small businesses throughout this country. SCORE, which is a resource partner with the Small Business Administration, has thousands of volunteers in 389 chapters who serve as "Counselors to America's Small Business." Working and retired executives and business owners in local SCORE chapters, like the one at the Lake of the Ozarks, donate their time and expertise as volunteer business counselors and provide confidential counseling and mentoring free of charge. SCORE, which was founded in 1964, assists approximately 300,000 entrepreneurs annually.

Each year, the SCORE Chapter of the Year is honored during Small Business Week, which this year is May 21–26, 2000. I know that my colleagues in the House will be pleased to join me in recognizing the outstanding work of the men and women who volunteer their time to this year's SCORE Chapter of the Year—the Lake of the Ozarks Service Corps of Retired Executives.

CARL SITTER

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 12, 2000

Mr. McINNIS. Mr. Speaker, I wanted to ask that we all pause a moment to remember a true American hero, Mr. Carl Sitter. Though he is gone, he will live on in the hearts of all who knew him and be remembered for long years by many who didn't.

During the Korean War, Sitter fought for our country while he served in the Marine Corps. His relentless effort and valiant leadership led to a successful defeat of the Korean Army. Mr. Sitter's bravery as a Captain in the Korean War led to him becoming the first of Pueblo's four Medal of Honor recipients. Despite grenade burns to his face, arms and chest, Mr. Sitter kept his position during the two day battle at Hagaru-Ki, in November 1950.

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